



# ECONOMIC INDICATORS

## CITY OF NORFOLK OFFICE OF BUDGET AND GRANTS MANAGEMENT

Last Update: March 29, 2013

### IN THIS ISSUE.....

- Norfolk's unemployment rate in January stood at 8.1 percent (not seasonally adjusted), 0.1 percentage point above last year. Prior to January, the unemployment rate had been falling year-over-year in every month since September 2010. This was the first year-over-year increase since August 2010. (See page 1)
- Virginia nonfarm employment (not seasonally adjusted) rose in February by 38,200 jobs or 1.04 percent from the same period last year, the 34th consecutive month of year-over-year increase. (See page 2)
- Hampton Roads nonfarm employment (not seasonally adjusted) rose 1.89 percent (or 13,800 jobs) in February from the same period last year. With the annual revision released this month, regional employment grown year-over-year for 25 consecutive months since February 2011. (See page 2)
- From January to February 2013, the average sales price of homes sold in Hampton Roads are up 5.4 percent from the same period last year. (See page 3)
- In Norfolk, the average price of homes sold also increased year-to-date through February by 16.4 percent. The average sales price of existing and new homes both rose by 14.2 percent and 15.9 percent, respectively. (See page 3)
- The number of housing units in Norfolk authorized by building permits through February was up by 13 units. (See page 4)
- Fiscal year-to-date through January, Norfolk sales taxes fell 2.2 percent (or \$369,700). However, adjusting for the correction of an overpayment by the Virginia Department of Taxation, sales taxes are up 3.1 percent (or \$520,900). (See page 5)
- Real GDP increased at an annual rate of 2.2 percent (first estimate) in 2012, which is slightly above the 1.8 percent annual growth in 2011. (See page 6)

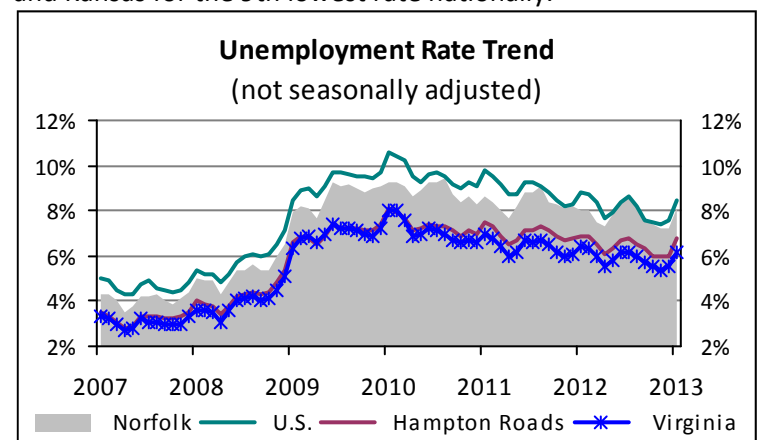
### Residential Employment

#### Hampton Roads and State Unemployment Rate (not seasonally adjusted)

	January 2013*	December 2012	January 2012	10-Year Average
<b>Norfolk</b>	<b>8.1%</b>	<b>7.2%</b>	<b>8.0%</b>	<b>6.1%</b>
Chesapeake	6.0%	5.5%	6.1%	4.5%
Hampton	8.0%	7.0%	8.2%	5.6%
Newport News	7.7%	6.4%	7.9%	5.4%
Portsmouth	7.9%	7.2%	8.7%	6.2%
Suffolk	6.6%	5.9%	7.0%	5.0%
Virginia Beach	5.8%	5.4%	5.7%	4.2%
Hampton Roads	6.8%	6.0%	6.9%	4.9%
Virginia	6.2%	5.5%	6.4%	4.6%

The Virginia Employment Commission (VEC) reported that Norfolk's not seasonally adjusted unemployment rate in January rose to 8.1 percent from 8.0 percent last year (January 2012). That decline reflected a decrease in the number of employed Norfolk residents by 1,915 (or 2.0 percent), as the labor force fell by 2,039 (or 1.9 percent) and the unemployed fell by 124 (or 1.5 percent). This was the first year-over-year increase in Norfolk's unemployment rate, following 28 consecutive months of year-over-year decline. However, Norfolk's unemployment rate was below the national rate of 8.5 percent (not seasonally adjusted).

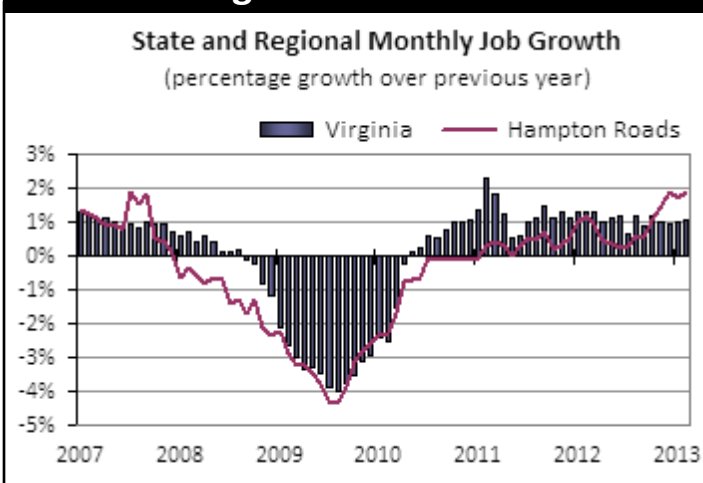
The unemployment rate fell year-over-year in the major cities in the region (except Norfolk and Virginia Beach), as well as statewide. The year-over-year decline in the neighboring cities ranged from 0.1 to 0.8 percentage point. Virginia's unemployment rate (not seasonally adjusted) tied with Iowa and Kansas for the 9th lowest rate nationally.



Source: Virginia Employment Commission and U.S. Bureau of Labor Statistics.

\* Preliminary figures, subject to revision in the following month.

## State and Regional Job Growth



Nonfarm employment statewide continued to increase year-over-year in February. The Virginia Employment Commission (VEC) reported nonfarm employment statewide rose 1.04 percent (or 38,200 jobs) to 3,708,500 (not seasonally adjusted) from the same period last year (February 2013). This was the 34th consecutive month of year-over-year job growth statewide (since May 2010).

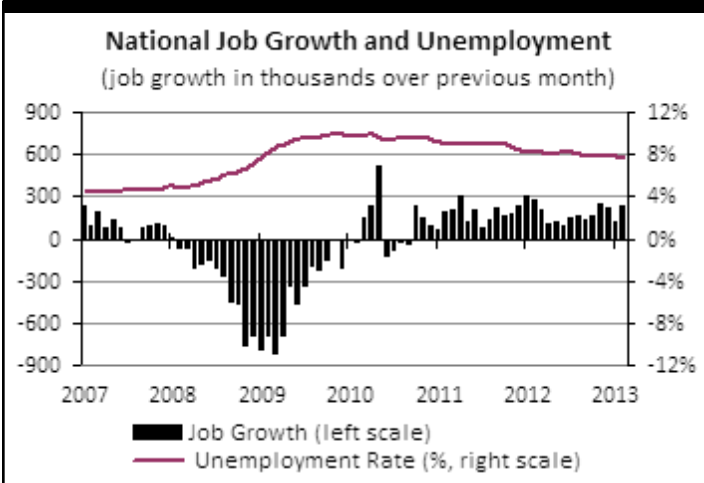
In Hampton Roads, nonfarm employment also continued to grow year-over-year as well, rising by 1.89 percent (or 13,800 jobs) to 742,600 (not seasonally adjusted). With the annual revision released this month, regional employment grew year-over-year for 25 consecutive months since February 2011. Employment also increased year-over-year in all other Virginia metropolitan statistical areas (MSAs), except Charlottesville MSA. The table below provides an overview of year-over-year job growth for key sectors in the state and region.

### February Job Change in Major Sectors

(not seasonally adjusted<sup>1</sup>; job changes are from previous year)

	Hampton Roads <sup>2</sup>	Virginia <sup>2</sup>
Construction	3,600	1,600
Manufacturing	2,000	1,500
Trade (Retail and Wholesale)	-600	2,100
Transportation and Utilities	0	700
Information	-100	-1,000
Financial Activities	1,500	7,000
Professional and Business Services	1,800	4,400
Educational and Health Services	3,700	16,600
Leisure and Hospitality	400	1,800
Government	1,400	4,700
<i>Federal Government</i>	600	1,200
<i>State Government</i>	200	-100
<i>Local Government</i>	300	800

## National Job Growth



The Bureau of Labor Statistics (BLS) reported nonfarm payroll employment (seasonally adjusted) rose by 236,000 jobs in February, after increasing by 119,000 jobs (revised) in January. Through the first two months of the year, the economy added 355,000 jobs, which was less than the revised 582,000 jobs added during the same period in 2012. Since February 2010 when employment was at its lowest, the economy added 5.7 million jobs, of which, the private sector added 6.35 million jobs, while the public sector shed 627,000 jobs. In comparison, about 8.7 million jobs (revised) were lost from January 2008 to February 2010. In February, the seasonally adjusted unemployment rate fell to 7.7 percent from 7.9 percent, the lowest rate since December 2008 when the rate stood at 7.3 percent.

### National Job Growth by Sector

(seasonally adjusted; Jan./Feb. growth are from previous month)

	Jan. 2013 <sup>3</sup>	Feb. 2013 <sup>2</sup>	CY 2013 YTD <sup>2</sup>
Mining & Logging	4,000	5,000	9,000
Construction	25,000	48,000	73,000
Manufacturing	12,000	14,000	26,000
Trade/Transportation/Utilities	26,000	30,000	56,000
Information	1,000	20,000	21,000
Finance	6,000	7,000	13,000
Professional/Business Services	16,000	73,000	89,000
Educational/Health Services	9,000	24,000	33,000
Leisure and Hospitality	30,000	24,000	54,000
Other Services	11,000	1,000	12,000
Government	-21,000	-10,000	-31,000
<i>Federal Government</i>	-4,000	0	-4,000
<i>State Government</i>	-13,000	-8,000	-21,000
<i>Local Government</i>	-4,000	-2,000	-6,000
<b>Total Job Growth</b>	<b>119,000</b>	<b>236,000</b>	<b>355,000</b>

Source: U.S Bureau of Labor Statistics (BLS) and Virginia Employment Commission (VEC). <sup>1</sup> Regional data are reported and available only on a not seasonally adjusted basis, the same basis reported in the BLS *Metropolitan Area Employment and Unemployment* report. State data are also reported on a not seasonally adjusted basis for comparison purposes. <sup>2</sup> Preliminary. <sup>3</sup> Revised.

## Regional Housing Market

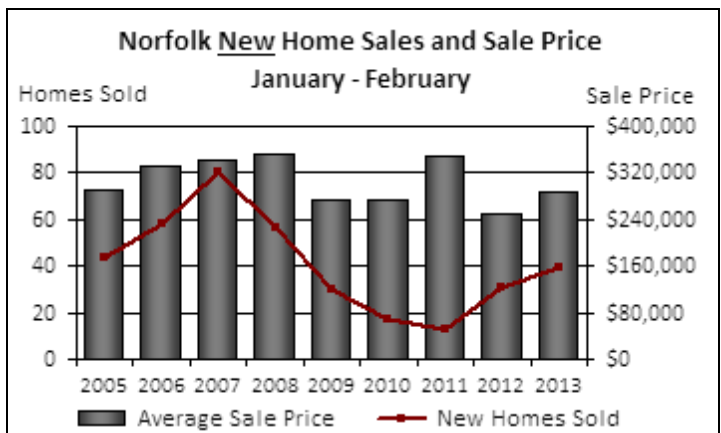
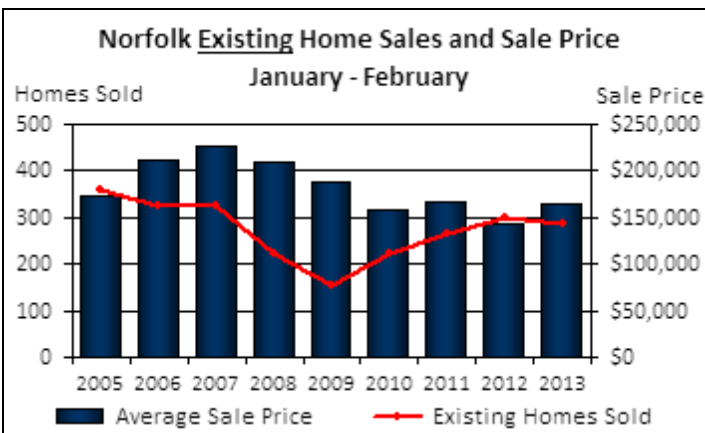
Jan. - Feb. Home Sales	Housing Units Sold		Average Days on Market	
	2012	2013	2012	2013
Hampton Roads	2,392	2,682	108	99
Norfolk	329	326	99	100
Chesapeake	370	432	97	87
Hampton	153	194	120	101
Newport News	189	234	103	118
Portsmouth	181	156	95	103
Suffolk	118	178	123	94
Virginia Beach	697	750	97	85

Average Residential Sales Price: January - February			
Area	2013	2012	% Change
Hampton Roads	\$215,536	\$204,527	5.4%
Norfolk	\$179,207	\$153,927	16.4%
Chesapeake	\$230,075	\$224,798	2.3%
Hampton	\$138,631	\$147,737	-6.2%
Newport News	\$148,340	\$141,602	4.8%
Portsmouth	\$112,227	\$120,635	-7.0%
Suffolk	\$212,623	\$210,716	0.9%
Virginia Beach	\$268,404	\$253,171	6.0%

Through February, the average sales price of homes sold in Hampton Roads, rose 5.4 percent to \$215,536, from \$204,527 last year, according to the Real Estate Information Network (REIN). Among the seven major cities in the region, only Hampton and Portsmouth saw a decline in the average sales price of homes year-to-date, while Norfolk had the largest increase (16 percent, from \$153,927 to \$179,207). However, in comparison, for all of 2012, the average sales price of homes sold in the region was \$225,235 and in Norfolk, it was \$182,224. The lower average sales price through the first two months of the year compared to all of last year was likely due to the continued impact of distressed homes on the market. The number of homes sold in the region are up 12.1 percent year-to-date, from 2,392 homes to 2,682 homes. Only Norfolk and Portsmouth saw a decline in home sales of 0.9 percent and 13.8 percent, respectively. However, Norfolk's decrease was largely due to fewer homes sold for under \$200,000. Home sales are likely to continue to rise in the region in the short term as REIN reported a 17.63 percent year-over-year increase in homes under contract (or pending sales) in February from 1,543 to 1,815. All the major cities in the region saw a year-over-year increase in pending sales, with Chesapeake and Portsmouth posting the largest gains at 44.44 percent and 44.05 percent, respectively, while Virginia Beach and Suffolk posted the smallest gains at 6.14 percent and 6.19 percent, respectively.

## Norfolk Housing Market

Through February, existing home sales in Norfolk declined slightly by 3.7 percent (11 homes), from 298 homes sold last year to 287 homes sold this year. In contrast, new homes sold rose slightly by 8 homes, from 31 homes sold last year to 39 homes sold this year. However, the average sales price of existing and new homes sold are both up year-to-date through February. The average sales price of existing homes sold rose 14.2 percent, from \$144,100 to \$164,500. The increase was due to a decline in homes sold for under \$200,000 by 36 homes, an increase in homes sold in the \$200,000 range by 19 homes, and a modest increase (6 homes) in homes sold for over \$200,000. However, the average sales price remained under \$200,000 because the majority of homes sold (72 percent) were under \$200,000. Likewise, the average sales price of new homes sold rose 15.9 percent, from \$248,500 to \$287,900, which reflected a lower percentage of homes sold for under \$200,000 (13 percent this year vs. 26 percent last year).



Source: Real Estate Information Network (REIN)

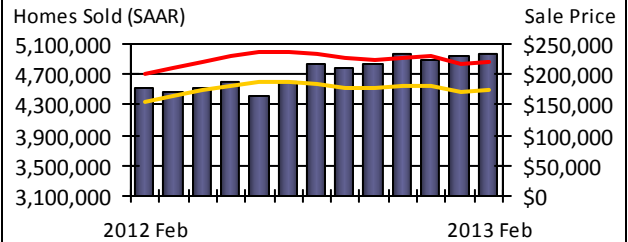
## National Housing Market

Nationwide, existing home sales rose 0.8 percent in February from last month (January 2013) and was up 10.2 percent from last year (February 2012) to a seasonally adjusted annual rate (SAAR) of 4.98 million. According to the National Association of Realtors (NAR), February's increase was the 20th consecutive month of year-over-year increase. However, new home sales were down from last month by 4.6 percent, but were up 12.3 percent from last year to 411,000 (SAAR).

The average sales price of existing and new homes both rose in February from last year by 10.0 and 14.5 percent to \$221,700 and \$313,700, respectively. This was the 12th consecutive month of year-over-year increase in existing homes' average sales price. For new homes, this was the highest monthly average sales price since April 2008. NAR indicated that "even with rising home prices, affordability remains historically favorable because home prices over-corrected during the downturn. This means there is still great value for buyers in the current market."

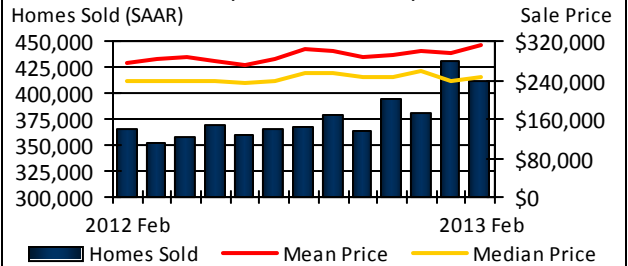
### Existing Home Sales and Sale Price

February 2012 - February 2013



### New Home Sales and Sale Price

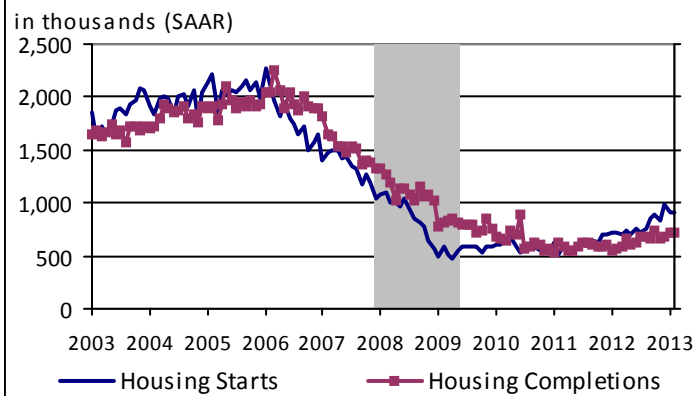
February 2012 - February 2013



## National New Residential Construction

### National Housing Starts and Completions

(through February 2013)



Housing starts in February rose 0.8 percent from the previous month (January 2013) and 27.7 percent from the previous year (February 2012) to a seasonally adjusted annual rate (SAAR) of 917,000. Housing starts have increased year-over-year for 18 consecutive months. The monthly and year-over-year increase was seen in both single and multi-family housing starts.

Housing completions fell 0.6 percent from the previous month but was up 24.3 percent from the previous year to 711,000 (SAAR). Multi-family housing completions drove the decline from the previous month and also the previous year.

The Census Bureau defines the start of construction when excavation begins for the footings or foundation of a building. A house is defined as completed when all finished flooring has been installed or at the time of occupancy.

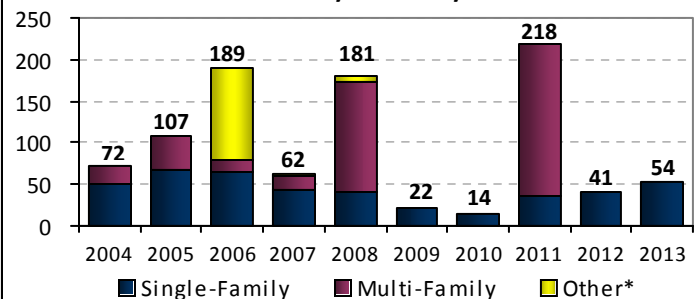
Source: National Association of Realtors, U.S. Census Bureau, and City of Norfolk Economic Development. \* "Other" includes new units in mixed use structures, residential conversions, and accessory dwellings. Shaded area denotes recession.

## Norfolk Residential Building Permits

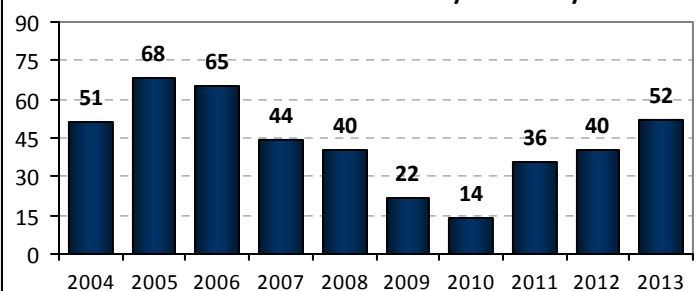
Through February, the number of housing units in Norfolk authorized by building permits rose by 13 units from last year, from 41 to 54 units. The housing units permitted year-to-date has been mainly single-family. However, over a ten-year period, the number of housing units permitted through February has varied considerably due to several large multi-family housing projects:

- 2011: Meadowood Apartments (180 units)
- 2008: Southwind Apartments (120 units)
- 2006: Harbor Heights (99 units)

### Number of Housing Units Permitted in Norfolk in January - February



### Number of New Single Family Dwellings Permitted in Norfolk in January - February

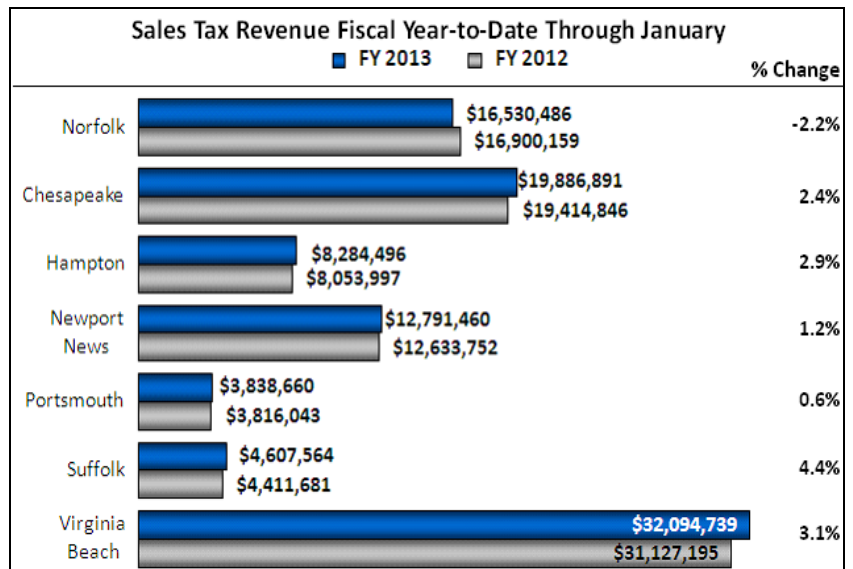




## Norfolk and Regional Sales Tax

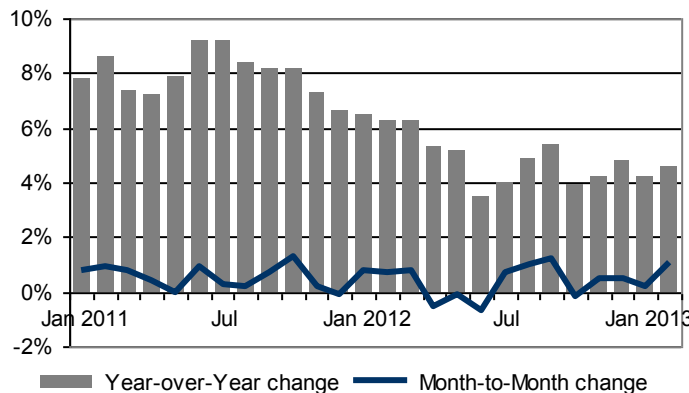
In January, sales tax collections in Norfolk totaled about \$2.2 million, which is 5.6 percent (or \$116,300) above last year's collections. Only Hampton and Suffolk had a larger year-over-year percentage growth in January than Norfolk at 11.8 percent and 11.1 percent, respectively. Among the seven major cities in the region, only Newport News had a year-over-year decline in January, about 12 percent (or \$214,000).

Fiscal year-to-date through January, Norfolk's sales tax collections totaled about \$16.5 million, which is down 2.2 percent (or about \$369,700) from the same period last year. However, adjusting for the correction of an overpayment by the Virginia Department of Taxation, Norfolk sales taxes are up year-to-date by 3.1 percent (or \$520,900). All the other major cities in the region are seeing year-over-year growth fiscal year-to-date as well, ranging from 0.6 percent in Portsmouth to 4.4 percent in Suffolk.



## National Retail and Food Service Sales

**Percent Change in National Retail and Food Service Sales**  
(seasonally adjusted but not adjusted for price changes)



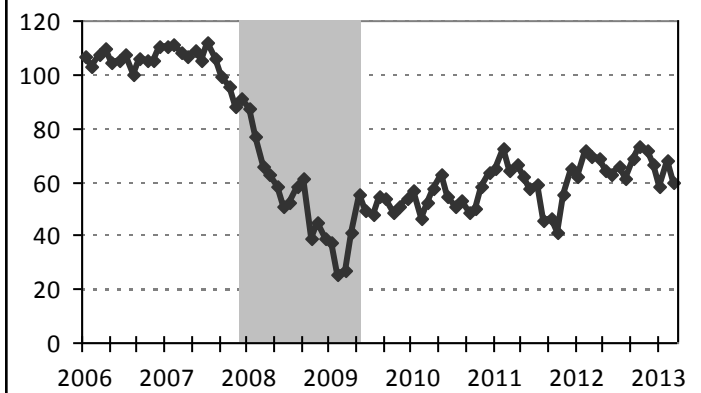
The U.S. Census Bureau reported national retail and food services sales in February rose 1.1 percent (preliminary) from the previous month (January), higher than the previous month's growth of 0.2 percent. February's increase was the fourth consecutive monthly increase. At least half the increase was due to sales at gasoline stations, reflecting the rise in gas prices in February from January. The Energy Information Administration reported gas prices for all grades rose to \$3.74 per gallon from \$3.39 in January. In addition to sales at gas stations, motor vehicle sales, and sales at food and beverage stores and nonstore retailers, which includes online stores, accounted for most of the monthly growth.

Compared to last year (February 2013), retail sales rose 4.6 percent. The increase was broad based with only general merchandise stores (which includes department stores) seeing a decline. That decline reflects the shift to online shopping, as sales by nonstore retailers, which includes online stores, rose 15.7 percent.

Source: Virginia Department of Taxation, U.S. Census Bureau, and Conference Board.

## Consumer Confidence Index

**Consumer Confidence Index**

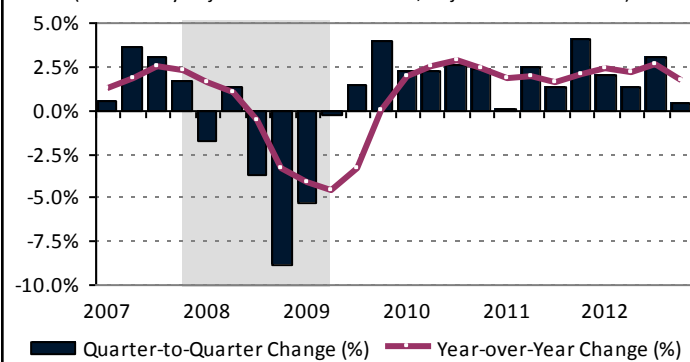


The Conference Board reported consumer confidence slid back down in March to 59.7 after rising to 68 in February from 58.4 in January. Consumer appraisal of both current and future business conditions declined in March. Consumer appraisal of current business and employment conditions as measured by the Present Situation Index fell to 57.9 in March from 61.4 in February, while consumer appraisal of future business conditions, as measured by the Expectations Index, fell sharply to 60.9 from 72.4 in February.

Lynn Franco, Director of Economic Indicators at The Conference Board indicated "This month's retreat was driven primarily by a sharp decline in expectations, although consumers were also more pessimistic in their assessment of current conditions. The loss of confidence, particularly expectations, mirrors the losses experienced this past December and January. The recent sequester has created uncertainty regarding the economic outlook and as a result, consumers are less confident."

## Real Gross Domestic Product (GDP)

**Real Gross Domestic Product Quarterly Percent Change from Preceding Quarter and Previous Year**  
(seasonally adjusted at annual rates; adjusted for inflation)

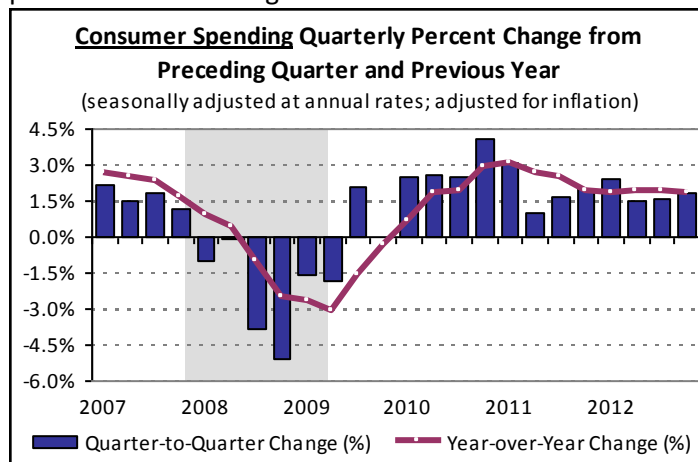


Real GDP is the value of all goods and services produced within the U.S., adjusted for inflation, and is the broadest measure of economic activity. The Bureau of Economic Analysis (BEA) reported real GDP rose at an annual rate of 0.4 percent (third estimate) in the fourth quarter of 2012. Although it's the lowest growth since the first quarter of 2011, it is an improvement from the first estimate of a 0.1 percent decline.

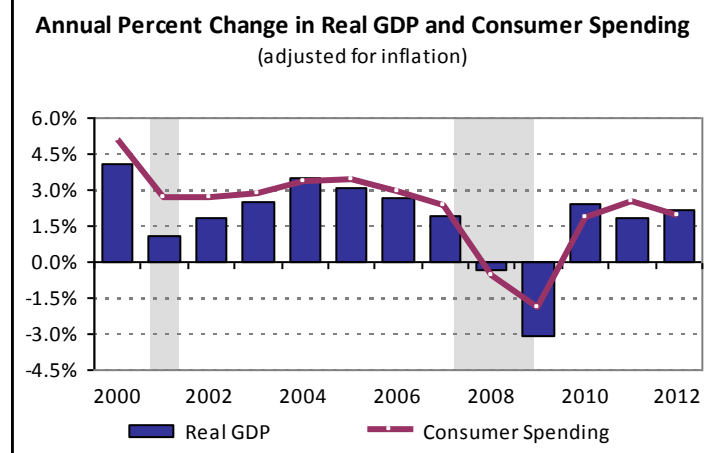
The increase in the fourth quarter was largely due to:

- **Consumer spending** rose 1.8 percent after increasing 1.6 percent in the third quarter;
- **Business investment in equipment and software** rose 11.8 percent compared to a 2.6 percent decline in the third quarter;
- **Business investment in commercial structures and residential investment** rose 16.7 percent and 17.6 percent, respectively; and
- **Imports** which are a subtraction from real GDP fell 4.2 percent compared to a 0.6 percent decline in the third quarter, while exports only declined by 2.8 percent.

These increases offset the decline in business investment in inventory and federal government spending, which subtracted 1.52 percentage points and 1.23 percentage points from real GDP growth.



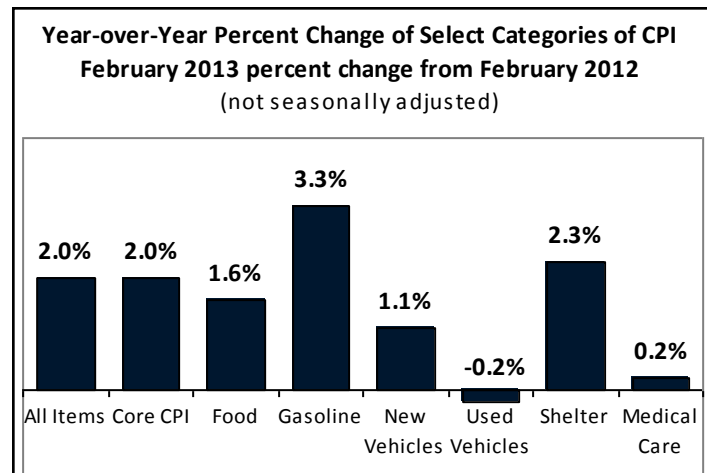
The BEA also reported the third estimate of the annual growth in real GDP. In 2012, real GDP grew 2.2 percent (first estimate), which is above the 1.8 percent growth in 2011. Consumer spending, business investment in structures, equipment and software, and residential investment drove real GDP growth in 2012.



## Consumer Price Index

The Consumer Price Index (CPI) is a measure of the average change in prices over time of goods and services purchased by households. The Bureau of Labor Statistics reported that the CPI for all urban consumers rose sharply in February by 0.7 percent from January, the largest increase since June 2009. February's increase also follows two consecutive months of no change in the CPI. According to BLS, the 9.1 percent gain in the gasoline index accounted for three-fourths of the increase. Electricity, natural gas and fuel oil also increased, as well as, the food index. The core CPI, which excludes food and energy, rose 0.2 percent.

From the previous year, the CPI for all urban consumers rose by 2.0 percent before seasonal adjustment. The food index rose 1.6 percent, while the energy index rose 2.3 percent, driven by the 3.3 percent increase in gasoline. The core CPI, which excludes food and energy, also rose 2.0 percent.



Source: U.S Bureau of Economic Analysis and U.S Bureau of Labor Statistics. Shaded areas represents recession as determined by the National Bureau of Economic Research.